# 2013 INDUSTRIAL REVITALIZATION FUND

## **Program Design**



Virginia Department of Housing and Community Development 600 East Main Street, Suite 300 Richmond, Virginia 23219

#### **Introduction**

The General Assembly allocated \$1,000,000 for FY 13 to be used for the redevelopment of vacant and deteriorated industrial properties across the Commonwealth. For the purposes of this program, the term industrial will be considered to mean any large-scale non-residential structure. Remnants of past economic vibrancy and local economies in transition, these structures are no longer suited for their former purpose, and in their current deteriorated condition, stand as a significant deterrent for future economic opportunity in the surrounding area and region.

Financial barriers often block the timely redevelopment of these structures, and they require more than local resources to attract private sector investment and make a deal cash flow. This is especially true in distressed areas. The \$1 million is meant to leverage local and private resources to achieve market-driven redevelopment of these structures, creating a catalyst for long-term employment opportunities and ongoing physical and economic revitalization. Eligible properties and structures must be vacant and deteriorated and may be redeveloped for any market-driven purpose including mixed-use, regardless of the original use.

The \$1 million will be allocated to the Virginia Derelict Structures Fund (DSF) established under 36-152 of the Code of Virginia, and the program will be called the *Industrial Revitalization Fund* (IRF) Program. The recapitalization of the DSF to achieve the redevelopment and revitalization of abandoned industrial structures was a recommendation of the Distressed Communities Sub-committee of the Governor's Commission on Economic Development and Job Creation, and priority will be given to projects in distressed localities.

#### **Award Amounts**

The maximum grant award is \$500,000. IRF funds may not be used as a substitute for other funds the applicant has already committed to a project. There is a match requirement and it is discussed on page 2. Successful applicants will have up to 18 months from the execution of the contract in which to complete their proposed project.

#### **Availability of Funds**

The \$1,000,000 available in FY13 is a one-time allocation to replenish the DSF.

#### **Eligible Applicants**

Only local governments (city, county, or town) or regional or local economic or industrial development authorities may apply for the funds. However, localities may designate a redevelopment authority or other similar organization as the designated agent for implementation and administration of activities. In addition, localities may lend the IRF money to a private business to undertake a project. DHCD must approve the terms and conditions of the loan, which must include a lien on the property.



#### **Eligible Properties**

The program is targeted toward vacant industrial structures whose poor condition creates physical and economic blight to the surrounding area in which the structure is located. Eligible properties shall include those formerly used for manufacturing, warehousing, mining, transportation, and power production as well as large-scale white elephant structures such as department stores, theaters, hotels, and shopping centers. Structures whose original intended use was solely residential are not eligible.

Structures should be publically owned by a unit of local government, which includes Industrial/Economic Development and Housing and Redevelopment Authorities.

Privately owned property is **not eligible** for funding unless:

- 1. The local government has an option agreement or a contract to purchase private property in place at the time of application. Such property must be conveyed to the locality before any grants funds will be disbursed; or
- 2. The local government provides the IRF money to a private entity in the form of a loan, the terms and conditions of which are subject to approval by DHCD. DHCD partners with Virginia Community Capital for analysis of proposed loan terms. It is expected that proposed loan terms will have a basis for the repayment of principle.

Scattered site projects will not be considered. Projects may consist of multiple properties provided they are adjacent/adjoining and are related in either their negative impact (e.g., three adjacent downtown buildings that are severely deteriorated and create a negative impact on the remainder of the block) or end use (e.g., a locality rehabilitating an abandoned warehouse into a shell building and purchase of adjacent property for use as parking).

#### **Eligible Uses of Funds**

IRF is flexibly designed so that grant funds can be used for a wide variety of revitalization and redevelopment activities such as acquisition, rehabilitation or repair (including securing and stabilizing for subsequent reuse) of specific structures, as well as **demolition and removal**.

IRF funds can only be used for **physical activities** such as the ones described above. In the case of acquisition, DHCD will limit its financial participation to the property's fair market value and the associated legal costs of acquisition. The legal costs associated with demolition are also grant-eligible costs.

Environmental assessments, remediation feasibility studies and engineering studies are allowable expenses but only as part of a comprehensive IRF redevelopment funding request and where they cannot be covered by brownfield funding available through the Virginia Department of Environmental Quality.

Grant funds may not be used solely for acquisition or demolition unless it can be demonstrated that the locality has committed other redevelopment funds to the property, and there is a market-based redevelopment plan in place that outlines possible reuse options, target markets/niches, and a property marketing strategy, including the entity for responsible for implementation. In addition, action must be



taken by the locality to improve the property's readiness for redevelopment. Generally, demolition should be used only in circumstances where the size or location of a building precludes any significant redevelopment potential or in cases where there is an **imminent** safety threat.

Funds may not be used as a substitute for other funds the applicant has already committed to a project. Any program income resulting from liens on property, resale, or other activities must be reinvested into similar future activities within the applicant locality according to a Program Income Plan approved by DHCD.

#### Match

The intent of the IRF funds is to help fill a financing gap that has prevented re-use and/or redevelopment of vacant and blighted industrial property. As such applicants are required to provide at least 100 percent local match (from private or public sources). Higher local match will increase the application's score.

Example: An applicant requesting \$500,000 must provide \$500,000 in match.

Local match must either be cash or documented costs that are directly associated with the work being done on the property where IRF funds are expended. Indirect costs related to engineering, design or architectural activities as well as other costs such as public notices, permit or dumping fees and inspections costs (or waivers of such) directly related to physical activities may be used as match, provided that such costs are specifically identified in the application.

Local match may include federal (including CDBG), local or private funds spent on or after July 1, 2010, on activities directly related to the targeted project.

#### **Administrative Costs**

Applicants may use up to five (5) percent of the grant award to cover administrative costs. Applicants may use as local match for an additional five (5) percent out-of-pocket administrative costs. The use of the additional five percent of administrative costs as local match must be outlined in the application.

#### **Fund Access**

IRF funds are available on a **reimbursement basis only**. Funds may be drawn down to reimburse the applicant for costs it has already incurred and paid for, or to meet costs incurred, for which invoices are on hand, awaiting payment. Applicants must have enough funding, including the grant funding, to complete the project. A contract between DHCD and the applicant outlining end products, conditions, fund disbursement and termination must be executed before any funds are disbursed. Funds may only be used for expenses incurred after the signing of the contract.

#### **Program Funding Priorities**

The ultimate intent of the IRF is to fund projects that, through their completion, will spark additional



private investment and create jobs in the immediate future. Based on that intent, DHCD has established the following funding priorities and will direct funding to those projects meeting one or more of them:

#### Clear relationship to a local or regional economic development strategy.

Applicants must identify the economic development strategy that the proposed project will support. This strategy should be an element of an existing redevelopment or blight removal plan or economic development plan. Applicants must explain what is currently being done in the area and how the IRF funds will supplement and expand this ongoing economic development and restructuring process. In other words, how does this IRF project enhance the economic restructuring and development activities of the community and region?

#### High degree of blight and deterioration to be addressed.

Applicants must identify the specific structure(s) to be addressed using the IRF money and must describe the extent of their deterioration and how the IRF funds will be used to address the deterioration. DHCD is seeking to invest its funds in projects where there is significant deterioration and where applicants can demonstrate the negative impact of such on the ability to attract private investment and job creation to areas beyond the specific location of the property. Applicants must demonstrate that addressing the property is a local priority. Projects that seek to repurpose or redevelop the property will be given more consideration over projects that focus heavily on site or property clearance.

#### Project readiness with a clear end use.

Applicants must identify the proposed future use for the property impacted by the grant funding. DHCD will give greatest priority to projects that will lead to efficient and immediate redevelopment and /or reuse. Projects that are "ready to proceed," but for the availability of the IRF funds, and can demonstrate that specific plans, partnerships and/or financing are in place for a specific end user will be given greater consideration.

#### End use will have a clear and significant economic impact.

Applicants must describe how the project will have a clear positive economic impact on the area. With the genesis of the 2013 funding coming from the Governor's Commission on Economic Development and Job Creation, applicants must demonstrate how the completion of the IRF project will be a catalyst to larger economic revitalization efforts in the locality and region.

#### Higher degree of applicant economic distress.

Because the recommendation for recapitalization of the DSF came from the Distressed Communities Sub-committee of the Governor's Commission on Economic Development and Job Creation, DHCD will give extra consideration to projects located in communities that are experiencing a higher degree of distress. This will be based on three measures using data from the U.S. Census Bureau Estimates:

- 1) a **persons in poverty rate** of at least 150 percent of the state average (at least 15.5%);
- 2) a **median household income** at most 70 percent of the state average (\$42,984 or less); and
- 3) an **unemployment rate** at least 150 percent of the state average (or at least 9.3 %).

Scoring will be weighted based on the number of distress measures the locality is experiencing. DHCD will provide a pre-calculated score for cities and counties. Towns may use the distress score of the county, or they may calculate their own based on the town's Census tracts, whichever method provides the higher distress score. Guidance on where to find the necessary data is provided in the funding application. See Appendix A. for more details.



#### **Scoring**

Funds will be allocated through a competitive process that will give greater priority to projects leading to efficient and immediate redevelopment and/or reuse of abandoned industrial structure(s). Applications will be evaluated according to a scoring system, and projects will be selected for funding on the basis of the higher scores in descending order until all funds are awarded.

Scoring criteria and point allocation will be as follows:

Relationship to Economic Development Strategy	20%
Project Identification and Description	20%
Readiness, End Use Plans and Impact	30%
Distress Factor	20%
Match	10%
TOTAL	100%

#### **Other Considerations**

DHCD encourages localities to select projects in areas where a full complement of redevelopment and revitalization tools are available as well as projects that have strong significance to the broader community and region. Applicants will receive a total of up to 5 bonus points for projects which have any of the following characteristics:

- A significant **regional focus**. This would include projects located in an area covered by a revenue sharing agreement or projects cited in a formal regional economic development plan.
- Eligibility for local real property tax abatement (§ 58.1-3221) or other **local incentives** to encourage property re/investment.
- Location in an **Enterprise Zone** and ability to qualify for the state and local incentives. Please note for projects in an Enterprise Zone the RPIG threshold would have to be met **above** the IRF investment.
- Location in a **special district**, including Designated Main Street Community status; a local, state or federal historic district; a redevelopment or blight removal district; a Technology Zone; or other similar district.
- Location in a current CDBG project area.

#### **Prioritization**

A locality may submit only one application, which must include a resolution from the locality's local governing body authorizing the submission of the application and commitment of a specific dollar amount in matching funds. Localities may designate a redevelopment authority or other similar organization as the designated agent for implementation and administration of activities.

#### **Submission Requirements**

All 2013 applications for IRF funding shall be submitted through CAMS. CAMS is DHCD's on-line



application and grant management system. You can access CAMS at:

#### https://dmz1.dhcd.virginia.gov/camsportal/Login.aspx

In order to access CAMS and complete an application for funding, organizations must complete a profile request. The request for a profile can be made by going to the CAMS site and selecting the "Registration" option. In order to register your organization, you will need your organizations DUNS number and FEIN number. Please allow up to five business days for DHCD to process and approve your registration request.

Once your organization has been registered, you may log in with your username and password and select the "Applications and Programs" option. From this page, select the "Apply" option and select "Industrial Revitalization Fund" from the dropdown. A description of the program and the button to "apply" will appear.

As you complete the application, be sure to save each page. You have the option to close out of CAMS and return to the application at any time until the application is submitted or the deadline has passed.

If you need assistance with the registration or completion of the application in CAMS, please send an email request to the CAMS help team through the "contact us" link at the bottom of every page in **CAMS.** Someone will contact you as soon as possible to provide needed assistance.

#### (Proposed) Timetable

August 9-14, 2012 How-to-Apply Workshops (register online at www.dhcd.virginia.gov/irf)

Thurs., August 9	Abingdon	10 a.m.	Southwest Virginia Higher Education Center, Room 240 One Partnership Circle, Abingdon, VA 24210 ( <u>directions</u> )
Fri., August 10	Richmond	10 a.m.	Main Street Center, 12th Floor North Conference Room 600 East Main Street, Richmond, VA 23219 (directions)
Tues., August 14	Webinar	2 p.m.	Remote access. Login information will be distributed to registrants prior to the workshop. The recorded webinar will be available online at <a href="www.dhcd.virginia.gov/irf">www.dhcd.virginia.gov/irf</a> the day following the webinar for those unable to attend any of the how-to-apply workshops.

#### **ASAP** Register your Organization in CAMS (can take up to 5 business days)

September 26, 2012 Applications Accepted October 2012 Application Review December 2012 Grant Announcement

#### **Contractual Obligations**

All applications, contracts and agreements are subject to negotiation with DHCD.

All approved projects will be committed to a closing date of 18 months from contract execution, on which



all activities must be completed and drawdown requests submitted to DHCD. Any locality that receives funding and does not use all of its designated funds by the closing date specified in its contract may lose the remaining fund balance.

Any program income resulting from liens on property, resale, or other activities must be reinvested into similar future activities within the applicant locality according to a Program Income Plan approved by DHCD.

#### For more information, please contact:

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### **APPENDIX A: Distress Scores**

### **Pre-calculated Distress Scores for Cities and Counties**

Localities Meeting All Distress Measures = 20 Application Points								
Brunswick County	Carroll County	Danville	Emporia					
Franklin (city)	Galax	Grayson County	Halifax County					
Henry County	Hopewell	Lexington	Martinsville					
Mecklenburg County	Petersburg	Richmond	Russell County					
Smyth County								
Localit	Localities Meeting Two Distress Measures = 10 Application Points							
Accomack County	Bedford (city)	Bristol	Buchanan County					
Buena Vista	Buckingham County	Charlotte County	Charlottesville					
Covington	Cumberland County	Dickenson County	Fredericksburg					
Greensville County	Harrisonburg	Lee County	Lunenburg County					
Lynchburg	Norfolk	Northampton County	Norton					
Nottoway County	Page County	Prince Edward County	Patrick County					
Radford	Roanoke (city)	Scott County	Sussex County					
Tazewell County	Waynesboro	Williamsburg	Wise County					
Wythe County								
Locali	ties Meeting One Distress I	Measures = 5 Application	n Points					
Bland County	Floyd County	Giles County						
Montgomery County	Pittsylvania County	Pulaski County	Richmond County					
Southampton County	Staunton	Washington County	Winchester					
	<b>No Distress Measures Met</b>	= Zero Application Poin	ts					
Albemarle County	Alexandria	Alleghany County	Amelia County					
Amherst County	Appomattox County	Arlington County	Augusta County					
Bath County	Bedford County	Botetourt County	Campbell County					
Caroline County	Charles City County	Chesapeake	Chesterfield County					
Clarke County	Colonial Heights	Craig County	Culpeper County					
Dinwiddie County	Essex County	Fairfax	Fairfax County					
Falls Church	Fauquier County	Fluvanna County	Franklin County					
Frederick County	Gloucester County	Goochland County	Greene County					
Hampton city	Hanover County	Henrico County	Highland County					
Isle of Wight County	James City County	King & Queen County	King George County					
King William County	Lancaster County	Loudoun County	Louisa County					
Madison County	Manassas	Manassas Park	Mathews County					
Middlesex County	Nelson County	New Kent County	Newport News					
Northumberland County	Orange County	Poquoson	Portsmouth					
Powhatan County	Prince George County	Prince William County	Rappahannock County					
	Pookhridge County	Rockingham County	Salem					
Roanoke County	Rockbridge County	rtookingham ooding						
Roanoke County Shenandoah County	Spotsylvania County	Stafford County	Suffolk					
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Source: 2005-2009 U.S. Census Bureau Estimates

#### **Calculations by Census Tract for Towns**

Towns may opt to use the distress score of their County or choose to calculate it themselves by Census Tract, which ever shows the greatest level of distress. Use the data sources highlighted below to access the data to complete the chart below. Localities will receive points for each of the three distress measures they meet. If no distress criteria are met, the distress score will be zero out of 20.

Indicators of Distress for Towns							
What percentage of the	Click here to enter	What is <b>150 percent</b> of the					
population is living in <b>Poverty</b> ?	text.	state's Poverty rate?	15.5%				
Source: 2005-2009 U.S. Census Bureau Est							
What is the <b>Median Income</b> per	Click here to enter	What is <b>70 percent</b> of the					
Household?	text.	state's median household	\$42,984				
Source: 2005-2009 U.S. Census Bureau		income?	\$42,904				
<u>Estimates</u>							
What is the Average	Click here to enter	What is <b>150 percent</b> of the					
Unemployment Rate?	text.	state's average unemployment	9.3%				
Source: 2005-2009 U.S. Census Bureau		rate?	9.3%				
<u>Estimates</u>							